

**ST. CHARLES PARISH HOSPITAL
SERVICE DISTRICT
Luling, Louisiana**

Audited Financial Statements

July 31, 2009 and 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/17/10

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Independent Auditor's Report

To the Board of Commissioners
St. Charles Parish Hospital Service District
Luling, Louisiana

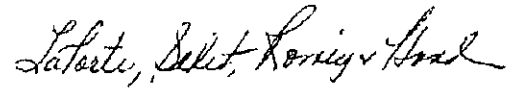
We have audited the accompanying balance sheets of St. Charles Parish Hospital Service District (the Hospital), a component unit of the St. Charles Parish Council, as of July 31, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Charles Parish Hospital Service District, as of July 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2010, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Hospital has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States have determined to be necessary to supplement, although not required to be part of, the basic financial statements.



A Professional Accounting Corporation

January 25, 2010

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Balance Sheets
July 31, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	\$ 380,203	\$ 1,220,625
Patient accounts receivable, net of estimated uncollectibles and allowances of \$7,095,699 for 2009 and \$11,803,828 for 2008	4,476,852	5,929,387
Other receivables	141,065	465,942
Estimated third-party settlements	611,260	216,940
Assets whose use is limited	1,608,179	1,192,731
Inventory	1,375,961	1,252,756
Prepaid expenses	617,307	597,309
Total current assets	9,210,827	10,875,690
Noncurrent cash and investments		
Assets whose use is limited:		
By board for indenture reserves	1,597,144	1,192,731
By indenture agreement for capital acquisition	188,938	676,998
Total assets whose use is limited	1,786,082	1,869,729
Less: amounts required to meet current obligations	1,608,179	1,192,731
Noncurrent assets whose use is limited	177,903	676,998
Capital assets, net	30,496,274	31,403,304
Other assets		
Bond issuance costs, net of amortization	86,276	106,636
Deposits	2,350	4,550
Total other assets	88,626	111,186
Total assets	\$ 39,973,630	\$ 43,067,178

The accompanying notes are an integral part of these financial statements.

	2009	2008
Liabilities and net assets		
Current liabilities		
Current maturities of long-term debt	\$ 10,187,630	\$ 9,494,413
Accounts payable	2,305,611	2,107,576
Accrued salaries and benefits	1,518,920	1,346,412
Accrued interest payable	699,044	736,253
Cash overdraft	115,839	63,589
Insurance payable	236,042	-
Other accrued expenses	50,214	67,175
Total current liabilities	15,113,300	13,815,418
Long-term debt and other liabilities		
Long-term debt	28,590,114	29,600,373
Estimated retroactive adjustments - third-party payors	-	750,000
Lease deposits	17,452	17,452
Total long-term debt and other liabilities	28,607,566	30,367,825
Net assets		
Invested in capital assets, and restricted for capital acquisitions, net of related debt	6,507,468	11,651,520
Unrestricted	(10,254,704)	(12,767,585)
Total net assets	(3,747,236)	(1,116,065)
Total liabilities and net assets	\$ 39,973,630	\$ 43,067,178

The accompanying notes are an integral part of these financial statements.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended July 31, 2009 and 2008

	2009	2008
Net patient service revenues	\$ 20,358,192	\$ 17,911,760
Other operating revenues	9,716,200	9,621,894
Total revenues	30,074,392	27,533,654
Operating expenses		
Salaries and wages	15,593,495	14,735,225
Supplies and other	10,343,638	9,857,576
Purchased services	3,820,522	3,767,806
Depreciation and amortization	3,637,889	2,762,543
Employee benefits	2,568,489	2,902,333
Total expenses	35,964,033	34,025,483
Loss from operations	(5,889,641)	(6,491,829)
Non-operating income (expense)		
Ad Valorem taxes - maintenance	2,444,656	2,278,401
Ad Valorem taxes - debt service	2,347,980	2,193,633
Interest income	13,494	142,671
Interest expense	(1,804,448)	(1,584,223)
In-Kind Contributions	260,152	-
Loss on disposal of equipment	(3,399)	(46,335)
Changes in net assets - services corporation	35	33
Total non-operating gains, net	3,258,470	2,984,180
Change in net assets	(2,631,171)	(3,507,649)
Net assets, beginning of year	(1,116,065)	2,391,584
Net assets, end of year	\$ (3,747,236)	\$ (1,116,065)

The accompanying notes are an integral part of these financial statements.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Statements of Cash Flows
For the Years Ended July 31, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Revenue collected	\$ 30,707,484	\$ 26,750,112
Payments to employees and for employee-related costs	(17,989,476)	(17,006,381)
Payments for operating expenses	(13,729,836)	(15,698,742)
Net cash used in operating activities	(1,011,828)	(5,955,011)
Cash flows from non-capital financing activities		
Ad Valorem taxes - maintenance	2,444,656	2,278,401
Ad Valorem taxes - debt service	2,347,980	2,193,633
Net cash provided by non-capital financing activities	4,792,636	4,472,034
Cash flows from capital and related financing activities		
Proceeds from issuance of general obligation bonds	55,000	-
Proceeds from issuance of certificates of indebtedness	7,850,000	8,000,000
Proceeds from issuance of limited tax bonds	1,300,000	5,000,000
Principal payments on general obligation bonds	(880,000)	(1,485,000)
Principal payments on certificates of indebtedness	(8,205,000)	(6,200,000)
Principal payments on insurance financing agreement	(92,711)	(32,545)
Principal payments under capital lease obligations	(441,181)	(423,044)
Cash paid for interest on debt obligations	(1,841,657)	(1,698,288)
Purchase of capital assets (property, plant and equipment)	(2,462,857)	(10,106,640)
Net cash used in capital and related financing activities	(4,718,406)	(6,945,517)
Cash flows from investing activities		
Cash received as interest	13,494	142,671
Changes in net assets - services corporation	35	35
Increase in deposits	-	17,452
Decrease in assets whose use is limited	83,647	9,475,786
Net cash provided by investing activities	97,176	9,635,944
Net (decrease) increase in cash and cash equivalents	(840,422)	1,207,450
Cash and cash equivalents, beginning of year	1,220,625	13,175
Cash and cash equivalents, end of year	\$ 380,203	\$ 1,220,625

The accompanying notes are an integral part of these financial statements.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Statements of Cash Flows (Continued)
For the Years Ended July 31, 2009 and 2008

	2009	2008
Reconciliation of loss from operations to net cash provided by (used in) operating activities		
Operating loss	\$ (5,889,641)	\$ (6,491,829)
Adjustments to reconcile operating loss to net cash flows used in operating activities		
Depreciation and amortization	3,637,889	2,762,543
Provision for bad debts	4,714,147	8,402,258
Changes in operating assets and liabilities:		
Increase in accounts receivable	(3,261,612)	(9,331,260)
Increase in inventory	(123,205)	(97,718)
Decrease (increase) in prepaid expenses	310,961	(34,011)
Decrease in estimated third party payor settlements	(1,144,320)	(4,533)
Loss on disposal of capital assets	3,399	-
Decrease in other assets	9,843	7,024
Decrease in other receivables	324,877	149,993
Increase (decrease) in accounts payable	198,035	(999,292)
Increase in accrued salaries and benefits	172,508	222,472
Increase (decrease) in cash overdraft	52,250	(230,483)
Decrease in other liabilities	-	(182,873)
Decrease in other accrued expenses	(16,961)	(127,302)
Net cash used in operating activities	\$ (1,011,830)	\$ (5,955,011)
Schedule on noncash investing, capital and financing activities		
In-kind fixed asset contribution	\$ 260,152	\$ -
Interest cost capitalized on construction in progress	\$ -	\$ 91,170

The accompanying notes are an integral part of these financial statements.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

St. Charles Parish Hospital Service District (the Hospital), a special district and component of St. Charles Parish (the Parish), was formed for the purpose of operating St. Charles Parish Hospital, a non-profit community hospital established in 1956. The Board of Commissioners is the governing authority for the Hospital and responsible for obtaining voter approval for the levy of tax or debt issuance, but all related Louisiana State Bond Commission approvals must be obtained through the Parish.

The St. Charles Hospital Continuum of Care Corporation (SCHCCC) was incorporated on August 10, 2006 with a subsequent name change to St. Charles Health Initiatives, Inc. (SCHII). SCHII is a non-profit organization that principally provides housing, healthcare, and other related services to residents. While legally separate from the Hospital, SCHII is reported as if it were a part of the Hospital because of the presence of a shared governing body. As a component unit of the Hospital, the operations of SCHII are included in the financial statements of the Hospital for the years ended July 31, 2009 and 2008. In preparing these financial statements, all inter-company transactions and balances have been eliminated.

St. Charles Hospital Services Corporation (the Corporation) is a non-profit entity that, while legally separate from the Hospital, is reported as if it were a part of the Hospital because of the presence of a shared governing body with the Hospital. As a component unit of the Hospital, the operations of the Corporation are included in the financial statements of the Hospital; however, the operations of the Corporation became dormant. During the year ended July 31, 2007, the Corporation changed its name to the St. Charles Continuum of Care Corporation after the SCHCCC mentioned above changed its name to St. Charles Health Initiatives, Inc.

Accounting Standards

The financial statements of the Hospital have been prepared in conformity with Accounting Principles Generally Accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989. As a governmental entity, the Hospital also follows certain accounting and disclosure requirements promulgated by the GASB.

Enterprise Fund Accounting

The Hospital utilizes the enterprise fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. The Corporation also uses the accrual method.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)**

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements, or with third-party payors.

Assets Whose Use is Limited

Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out method.

Capital Assets

Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives, generally ranging from three to forty years.

Net Assets

Net assets represent the difference between assets and liabilities. Net asset classifications are defined as follows:

Net Assets Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

Restricted Net Assets - Net assets are reported as restricted when there are limitations imposed on their use, either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This component of net assets consists of constraints placed on net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt," as described above.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)**

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Patient Service Revenue and Related Receivables

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances.

Patient (or trade) receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Non-Direct Response Advertising

The Hospital expenses advertising costs as incurred.

Compensated Absences

Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences, included as a component of accrued salaries and benefits on the Hospital's balance sheets, were \$631,335 and \$532,102, as of July 31, 2009 and 2008, respectively.

Other Receivables

Other receivables include amounts due from the St. Charles Community Health Center, Inc. (the Health Center), an unrelated company, for operating expenses and other miscellaneous expenses associated with the startup of the Health Center. Management believes these receivables are fully collectible.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)

Grants and Contributions

From time to time, the Hospital receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all the eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Unamortized Bond Costs

Unamortized bond costs represent the cost of debt issuance and are being amortized over the term the related debt is outstanding.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Note 2. Operating Results and Liquidity

As shown in the accompanying financial statements, the Hospital incurred an overall decrease in net assets of \$2,631,171 during the year ended July 31, 2009, and as of the date, the Hospital's current liabilities exceeded its current assets.

Subsequent to the date of the financial statements, but prior to the date of the independent auditor's report, the Hospital has been in receipt of approximately \$6.6 million of Medicaid Disproportionate Share reimbursements and approximately \$2.2 million of ad valorem taxes for maintenance which in part, was used to pay off the Certificates of Indebtedness, Series 2009, in the amount of \$8.5 million as presented in Note 9. The continued receipt of these Medicaid funds is protected under State statute.

The Hospital has also been in receipt of Ad Valorem Tax Revenue for debt service sufficient to service the current portion of its long-term debt, outside of the Certificate of Indebtedness, Series 2009, as presented in Note 9.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 2. Operating Results and Liquidity (Continued)

Actions taken by, and planned by, Hospital management to affect future operations include:

- Employed an internal medicine physician in July 2009 and an additional surgeon beginning in February of 2010.
- Effective July 1, 2008, the Hospital began receiving increased Medicaid payments approximating 110% of costs. This enhanced reimbursement resulted in approximately \$2.2 million in additional current cash flow through July 31, 2009. The Hospital continues to receive these enhanced payments.
- Hospital continues its cooperative endeavor lease agreement with Luling Rehabilitation Hospital, Inc. for the leasing of space and providing of food services for an inpatient rehabilitation hospital operated on the Luling campus in unused space.
- Signed an interim binding Cooperative Endeavor Agreement with Ochsner Clinic Foundation (Ochsner) for the probable lease of the Hospital to Ochsner. Pursuant to that agreement, Ochsner is required to provide, among other things: assistance in the recruitment of new physicians to the Hospital, at Ochsner's expense; access to Ochsner's group purchasing agreements (i.e. pharmacy, food, blood bank, materials management, etc.) which offers the Hospital superior pricing when compared to its current arrangements; and provision of administrative support, at Ochsner's expense, for the establishment of staffing levels, coding, billing, etc. Recent related developments include the opening of a cardiovascular special procedures laboratory, which is staffed by Ochsner cardiologists and technicians and the leasing, by Ochsner, of medical office building space on the Hospital's campus for the location of Ochsner employed physicians.
- Sold General obligation bonds for improvements to the Hospital's emergency services and for the refund and reissuance of \$5 million of limited tax certificates.
- Engaged a consultant to identify areas for cutting costs and for operational components that are perennial losers that could be attractive to a potential buyer. The Hospital is in negotiation with a prospective buyer that could produce approximately \$1 million in cash.

Management believes that its current cash flow from operations, Disproportionate Share and Tax revenues, together with the enhancement to operations that its other actions will allow the Hospital to meet its operational expenses and debt service, and capital needs. However, there are no assurances that such results will be achieved.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 3. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews.

The Hospital is paid for inpatient psychiatric care services rendered to Medicare program beneficiaries under a payment methodology which, during a transitional period, utilizes a blended rate of cost based and prospective payment methodologies. The cost based component is subject to cost report settlement.

Outpatient services were paid via cost reimbursement methodologies, fee schedule limitations, or cost/fee blending methodologies before August 1, 2000. After August 1, 2000, cost based and cost/fee blending reimbursed services are paid at predetermined outpatient rates, subject to certain stop-loss provisions, referred to by Medicare as the transitional corridor. The transitional corridor will limit potential reductions in reimbursement caused by the implementation of the outpatient prospective payment system through 2004. Cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits performed thereof by the Medicare fiscal intermediary. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through July 31, 2006.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 3. Net Patient Service Revenue (Continued)

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 2003.

Revenue from the Medicare and Medicaid programs accounted for approximately 16.2 percent and 21.1 percent, respectively, of the Hospital's net patient revenue, for the year ended July 31, 2009, and 41.7 percent and 16.1 percent, respectively, of the Hospital's net patient revenue, for the year ended July 31, 2008. The laws and regulations under which Medicare and Medicaid programs operated are complex, and subject to interpretation and frequent changes. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The net patient revenue increased by approximately \$696,846 and \$277,089, for years ended July 31, 2009 and 2008, respectively, due to removing previously estimated allowances that are no longer necessary as a result of final settlements, and previously open years that are no longer subject to audit, review, or investigation.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

The Hospital will deduct from revenue amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated.

The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges and prospectively determined daily rates.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 3. Net Patient Service Revenue (Continued)

A summary of the Hospital's net patient service revenue for the years ended July 31, 2009 and 2008, is as follows:

	2009	2008
Gross Patient Service Revenue	\$ 61,696,378	\$ 59,546,497
Less: Contractual Adjustments	(34,182,866)	(29,807,101)
Less: Provision for Bad Debts	(4,714,147)	(8,402,258)
Less: Free Care	(2,441,173)	(3,425,380)
Net Patient Service Revenue	\$ 20,358,192	\$ 17,911,758

Since the Hospital serves a disproportionate share of low-income patients, it qualifies for Medicaid Disproportionate Share reimbursements. Medicaid Disproportionate Share reimbursements of \$8,581,116 and \$8,800,179 were received in the State of Louisiana's years ended June 30, 2009 and 2008, respectively and are classified within Other operating revenues. These amounts are subject to audit by the State of Louisiana. It is possible that settlement amounts may arise as a result of such audits.

Note 4. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are residents of St. Charles Parish and are insured under third-party payor agreements. The mix of accounts receivable due from patients and third-party payors was as follows as of July 31, 2009 and 2008:

	2009	2008
Medicare	21 %	31 %
Medicaid	18	12
Commercial	14	17
Private Pay	47	40
	100 %	100 %

Note 5. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides to all of its qualifying patients. These records include the amount of charges foregone for services and supplies furnished under its charity care policy.

For the years ended July 31, 2009 and 2008, the Hospital wrote off \$2,441,173 and \$3,425,380, respectively, of free care against gross revenue. See Note 3.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 6. Deposits and Investments

The Hospital has various deposits and investments. The amounts reflected on the accompanying balance sheets are as follows:

	2009	2008
Depository and money market accounts	\$ 2,050,446	\$ 2,405,154
Certificates of deposits	-	621,611
Total	\$ 2,050,446	\$ 3,026,765

Under state law, these deposits must be secured by either Federal deposit insurance or by the pledge of securities owned by a fiscal agent bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank. At July 31, 2009, the Hospital had \$2,635,297 in deposits (collected bank balances).

Amounts in excess of Federal Depository Insurance are secured by collateral held by the fiscal agent bank in the name of the Hospital.

Under Louisiana Revised Statutes 39:1271 and 33:2955, the Hospital may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the Hospital to invest in direct obligations of the U.S. Government, federally insured instruments, guaranteed investment contracts issued by certain financial institutions, and mutual or trust funds registered with the Securities and Exchange Commission.

Note 7. Assets Whose Use is Limited

Assets whose use is limited that are required for bond obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at July 31, 2009 and 2008, is set forth in the following table:

	2009	2008
By indenture agreement for capital asset acquisition		
Cash and cash equivalents	\$ 188,938	\$ 676,998
	<u>188,938</u>	<u>676,998</u>
By board for indenture reserves		
Cash and cash equivalents	1,597,144	571,120
Certificates of deposit	-	621,611
	<u>1,597,144</u>	<u>1,192,731</u>
Total	\$ 1,786,082	\$ 1,869,729

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 8. Capital Assets

Capital assets activity as of and for the years ended July 31, 2009 and 2008, is as follows:

	Balance July 31, 2008	Additions	Transfers and Disposals	Balance July 31, 2009
Capital assets, not being depreciated:				
Land	\$ 1,715,739	\$ 63,507	\$ -	\$ 1,779,246
Total capital assets not being depreciated	1,715,739	63,507	-	1,779,246
Capital assets, being depreciated:				
Building and improvements	33,081,243	1,652,428	-	34,733,671
Equipment	19,307,413	799,193	(748,409)	19,358,197
Leasehold improvements	142,381	-	-	142,381
Vehicles	447,304	207,882	(144,586)	510,600
Total capital assets being depreciated	52,978,341	2,659,503	(892,995)	54,744,849
Less accumulated depreciation for:				
Buildings and improvements	9,622,413	1,690,068	-	11,312,481
Equipment	13,313,738	1,819,435	(745,010)	14,388,163
Leasehold improvements	21,020	18,846	-	39,866
Vehicles	333,605	98,292	(144,586)	287,311
Total accumulated depreciation	23,290,776	3,626,641	(889,596)	26,027,821
Total capital assets, being depreciated, net	29,687,565	(967,138)	(3,399)	28,717,028
Total capital assets, net	\$ 31,403,304	\$ (903,631)	\$ (3,399)	\$ 30,496,274

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 8. Capital Assets (Continued)

	Balance July 31, 2007	Additions	Transfers and Disposals	Balance July 31, 2008
Capital assets, not being depreciated:				
Land	\$ 1,425,037	\$ 290,702	\$ -	\$ 1,715,739
Construction in progress	7,782,344	7,811,564	(15,593,908)	-
Total capital assets not being depreciated	9,207,381	8,102,266	(15,593,908)	1,715,739
Capital assets, being depreciated:				
Buildings and improvements	17,417,508	15,663,735	-	33,081,243
Equipment	19,032,681	2,025,885	(1,751,153)	19,307,413
Leasehold improvements	142,381	-	-	142,381
Vehicles	447,304	-	-	447,304
Total capital assets being depreciated	37,039,874	17,689,620	(1,751,153)	52,978,341
Less accumulated depreciation for:				
Buildings and improvements	8,602,267	1,020,146	-	9,622,413
Equipment	13,387,525	1,631,031	(1,704,818)	13,313,738
Leasehold improvements	10,044	10,976	-	21,020
Vehicles	244,463	89,142	-	333,605
Total accumulated depreciation	22,244,299	2,751,295	(1,704,818)	23,290,776
Total capital assets, being depreciated, net	14,795,575	14,938,325	(46,335)	29,687,565
Total capital assets, net	\$ 24,002,956	\$ 23,040,591	\$ (15,640,243)	\$ 31,403,304

Plant and equipment acquisitions are recorded at cost. The Hospital's policy is to record acquisitions over \$500. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method.

Maintenance, repairs and minor replacements and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

Depreciation expense reported in the fiscal year ended July 31, 2009, was \$3,626,641 (exclusive of amortization expense). Depreciation expense reported during the fiscal year ended July 31, 2008, was \$2,751,295 (exclusive of amortization expense).

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 9. Long-Term Debt and Other Liabilities

The components of long-term debt as of July 31, 2009 and 2008, are as follows:

		2009	2008
Hospital Revenue Bonds, Series 2003A	(A)	\$ 2,330,000	\$ 2,540,000
Hospital Revenue Bonds, Series 2003B	(A)	695,000	755,000
Hospital Revenue Bonds, Series 2004	(B)	4,200,000	4,420,000
Hospital Revenue Bonds, Series 2005	(C)	5,775,000	6,000,000
Hospital Revenue Bonds, Series 2006	(D)	4,545,000	4,700,000
Hospital Revenue Bonds, Series 2007	(E)	5,485,000	5,495,000
Hospital Revenue Bonds, Series 2009	(E)	55,000	-
Limited Tax Bonds, Series 2008	(F)	5,000,000	5,000,000
Limited Tax Bonds, Series 2008A	(F)	1,300,000	-
Certificate of Indebtedness, Series 2004B	(G)	450,000	655,000
Certificate of Indebtedness, Series 2008A	(H)	-	3,000,000
Certificate of Indebtedness, Series 2008B	(H)	-	5,000,000
Certificate of Indebtedness, Series 2009A	(I)	2,000,000	-
Certificate of Indebtedness, Series 2009B	(I)	5,850,000	-
Capital Lease Obligation - Toshiba	(J)	4,266	24,948
Capital Lease Obligation - GE Healthcare Fin	(K)	1,018,572	1,388,387
Capital Lease Obligation - BellSouth	(L)	107,153	157,837
		<u>38,814,991</u>	<u>39,136,172</u>
Less Unamortized Original Issue Discount	*	(37,247)	(41,385)
Less Current Maturities		<u>(10,187,630)</u>	<u>(9,494,413)</u>
Total		<u>\$ 28,590,114</u>	<u>\$ 29,600,374</u>

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 9. Long-Term Debt and Other Liabilities (Continued)

- (A) The Hospital adopted a resolution on October 16, 2003, issuing \$2,745,000 General Obligation Refunding Bonds, Series 2003A and \$810,000 Taxable General Obligation Refunding Bonds, Series 2003B. These bonds were issued December 1, 2003, for the purpose of refunding and extending the Hospital's Series 1990A General Obligation Bonds, Series 1990B General Obligation Bonds, Series 1992A General Obligation Bonds, Series 1992B General Obligation Bonds (taxable), and to pay the cost of issuance.

Interest on the Series 2003A and Series 2003B bonds is payable semiannually on March 1 and September 1.

The Series 2003A bonds mature according to maturity schedules contained in the bond documents beginning on March 1, 2008, with scheduled maturities ranging from \$205,000 to \$245,000 each year through March 1, 2013. The final \$1,405,000 of Series 2003A bonds maturing in 2018 are subject to mandatory sinking fund redemptions beginning March 1, 2014, through final maturity of March 1, 2018. Interest rates associated with this Series range from 3.00% to 4.50%.

The Series 2003B bonds mature, according to maturity schedules contained in the bond documents, beginning on March 1, 2008. Scheduled maturities range from \$55,000 to \$70,000 each year through March 1, 2012. The final \$500,000 of Series 2003B bonds are subject to mandatory sinking fund redemptions beginning March 1, 2013, through final maturity at March 1, 2018. Interest rates associated with this Series range from 4.15% to 6.00%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

- (B) During the fiscal year ended July 31, 2004, the Hospital issued \$5,300,000 of General Obligation Bonds, Series 2004, to be dated March 1, 2004. The purpose of the issue was for purchasing, acquiring, and constructing lands, buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$220,000 to \$500,000 beginning March 1, 2005, with the final installment due March 1, 2024.

Interest on the bonds is payable semiannually on March 1 and September 1 until maturity. The maximum interest rate allowed on the Issue is 7% per annum. The bonds maturing March 1, 2015, and thereafter, are callable by the Hospital in full or in part at any time on or after March 1, 2014, at the principal amount thereof, plus accrued interest to the date fixed for redemption.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 9. Long-Term Debt and Other Liabilities (Continued)

- (C) During the fiscal year ended July 31, 2005, the Hospital issued \$7,500,000 of General Obligation Bonds, Series 2005, to be dated April 1, 2005. The purpose of the issue is the purchasing, acquiring and constructing lands, buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$225,000 to \$520,000 beginning March 1, 2006, with the final installment due March 1, 2025.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

- (D) During the year ended July 31, 2006, the Hospital issued \$5,700,000 of General Obligation Bonds, Series 2006, to be dated April 1, 2006. The purpose of the issue is the purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$155,000 to \$500,000 beginning March 1, 2007, with the final installment due March 1, 2026. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 4.125% to 6.75%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

- (E) During the year ended July 31, 2007, the Hospital issued \$5,500,000 of General Obligation Bonds, Series 2007, to be dated April 1, 2007. The purpose of the issue is the purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$5,000 to \$500,000 beginning March 1, 2008, with the final installment due March 1 2027. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 4.00% to 6.5%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

- (F) On April 23, 2008, the Hospital adopted a resolution issuing \$5,000,000 and \$1,300,000 of Limited Tax Bonds, Series 2008, payable from the pledge of unlimited Ad Valorem taxes approved by an election held July 19, 2003 and July 15, 2006, for the purpose of paying current expenses of the District for calendar year 2008, including both real and personal property, to be used in providing hospital facilities. The bonds mature in 2016. Interest is payable on September 1 and March 1, each year. The average interest rate is 4.979%.
- (G) On September 2, 2004, the Hospital adopted a resolution issuing \$1,320,000 of Certificates of Indebtedness, Series 2004, payable from the pledge of limited Ad Valorem taxes approved by an election held July 19, 2003, for the purpose of constructing and maintaining hospital facilities within the said District. The bonds mature in March 2011. Interest is payable on March 1 and September 1, each year. The interest rate is 4.75%.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 9. Long-Term Debt and Other Liabilities (Continued)

- (H) On December 17, 2007, the Hospital adopted a resolution authorizing the issuance of Certificates of Indebtedness, Series 2008 totaling \$8,000,000, for the purposes of paying current expenses of the Hospital. The income and revenues of the Hospital received after the issuance of these Certificates is dedicated and to be set aside for the repayment of these Certificates. Interest rates on the Series will not exceed 6.0%. The individual certificates authorized and outstanding (2008A and 2008B), mature in March 2009. As mentioned in Note 2, these Certificates were repaid in full subsequent to July 31, 2008.
- (I) On January 6, 2009, the Hospital adopted a resolution authorizing the issuance of Certificates of Indebtedness, Series 2008 totaling \$7,850,000, for the purposes of paying current expenses of the Hospital. The income and revenues of the Hospital received after the issuance of these Certificates is dedicated and to be set aside for the repayment of these Certificates. Interest rates on the Series will not exceed 6.0%. The individual certificates authorized and outstanding (2009A and 2009B), mature in March 2010. As mentioned in Note 2, these Certificates were repaid in full subsequent to July 31, 2009.
- (J) The Hospital entered into a capital lease agreement with an equipment supplier for the purpose of acquiring computer equipment. The lease calls for 59 monthly payments of \$1,433. The lease is collateralized by the equipment and transfers ownership at the end of the term for a final payment of \$101.
- (K) During the fiscal year ended July 31, 2007, the Hospital entered into a capital lease agreement with an equipment supplier for the purpose of acquiring medical equipment. The lease calls for 60 monthly payments of \$38,563. The lease is collateralized by the equipment.
- (L) During the fiscal year ended July 31, 2006, the Hospital entered into a capital lease agreement with an equipment supplier for the purpose of acquiring communications equipment. The lease calls for 60 monthly payments of \$4,924. The lease is collateralized by the equipment.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 9. Long-Term Debt and Other Liabilities (Continued)

Long-term debt and other non-current liability activity as of and for the fiscal years ended July 31, 2009 and 2008, is as follows:

	Balance July 31, 2008	Additions	Reductions	Balance July 31, 2009	Due Within One Year
<u>Long-Term Debt:</u>					
General Obligation Bonds, Series 2003A	\$ 2,540,000	\$ -	\$ (210,000)	\$ 2,330,000	\$ 220,000
General Obligation Bonds, Series 2003B	755,000	-	(60,000)	695,000	60,000
General Obligation Bonds, Series 2004	4,420,000	-	(220,000)	4,200,000	200,000
General Obligation Bonds, Series 2005	6,000,000	-	(225,000)	5,775,000	235,000
General Obligation Bonds, Series 2006	4,700,000	-	(155,000)	4,545,000	165,000
General Obligation Bonds, Series 2007	5,495,000	-	(10,000)	5,485,000	25,000
General Obligation Bonds, Series 2009	-	55,000	-	55,000	30,000
Limited Tax Bonds, Series 2008	5,000,000	-	-	5,000,000	570,000
Limited Tax Bonds, Series 2008A	-	1,300,000	-	1,300,000	155,000
Certificate of Indebtedness, Series 2004B	655,000	-	(205,000)	450,000	220,000
Certificate of Indebtedness, Series 2008A	3,000,000	-	(3,000,000)	-	-
Certificate of Indebtedness, Series 2008B	5,000,000	-	(5,000,000)	-	-
Certificate of Indebtedness, Series 2009A	-	2,000,000	-	2,000,000	2,000,000
Certificate of Indebtedness, Series 2009B	-	5,850,000	-	5,850,000	5,850,000
Capital Lease Obligation - G.E. Capital	1,388,387	-	(389,815)	1,018,572	398,963
Capital Lease Obligation - Toshiba	24,948	-	(20,682)	4,266	4,266
Capital Lease Obligation - BellSouth	157,837	-	(50,684)	107,153	54,401
Total Long-Term Debt	39,136,172	9,205,000	(9,526,181)	38,814,991	10,187,630
<u>Other Non-Current Liabilities:</u>					
Est. Retroactive Adjustment Liability - Third-Party Payors	750,000	-	(750,000)	-	-
Total Long-Term Debt and Other Liabilities	\$ 39,886,172	\$ 9,205,000	\$ (10,276,181)	\$ 38,814,991	\$ 10,187,630

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 9. Long-Term Debt and Other Liabilities (Continued)

	July 31, 2007	Additions	Reductions	July 31, 2008	Due Within One Year
<u>Long-Term Debt:</u>					
General Obligation Bonds, Series 2003A	\$ 2,745,000	\$ -	\$ (205,000)	\$ 2,540,000	\$ 210,000
General Obligation Bonds, Series 2003B	810,000	-	(55,000)	755,000	60,000
General Obligation Bonds, Series 2004	4,640,000	-	(220,000)	4,420,000	220,000
General Obligation Bonds, Series 2005	6,500,000	-	(500,000)	6,000,000	225,000
General Obligation Bonds, Series 2006	5,200,000	-	(500,000)	4,700,000	155,000
General Obligation Bonds, Series 2007	5,500,000	-	(5,000)	5,495,000	10,000
Limited Tax Bonds, Series 2008	-	5,000,000	-	5,000,000	-
Certificate of Indebtedness, Series 2004B	855,000	-	(200,000)	655,000	205,000
Certificate of Indebtedness, Series 2007A	3,000,000	-	(3,000,000)	-	-
Certificate of Indebtedness, Series 2007B	1,500,000	-	(1,500,000)	-	-
Certificate of Indebtedness, Series 2007C	500,000	-	(500,000)	-	-
Certificate of Indebtedness, Series 2007D	1,000,000	-	(1,000,000)	-	-
Certificate of Indebtedness, Series 2008A	-	3,000,000	-	3,000,000	3,000,000
Certificate of Indebtedness, Series 2008B	-	5,000,000	-	5,000,000	5,000,000
Note Payable - Guaranty	15,236	-	(15,236)	-	-
Capital Lease Obligation - G.E. Capital	1,731,183	-	(342,796)	1,388,387	340,057
Capital Lease Obligation - Toshiba	40,793	-	(15,845)	24,948	17,175
Capital Lease Obligation - Phillips Monitors	16,024	-	(16,024)	-	-
Capital Lease Obligation - Phillips Telemetry	17,309	-	(17,309)	-	-
Capital Lease Obligation - BellSouth	206,215	-	(48,378)	157,837	52,181
Total Long-Term Debt	34,276,760	13,000,000	(8,140,588)	39,136,172	9,494,413
<u>Other Non-Current Liabilities:</u>					
Est. Retroactive Adjustment Liability - Third-Party Payors	750,000	-	-	750,000	-
Total Long-Term Debt and Other Liabilities	\$ 35,026,760	\$ 13,000,000	\$ (8,140,588)	\$ 39,886,172	\$ 9,494,413

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 9. Long-Term Debt and Other Liabilities (Continued)

Scheduled maturities of certificates of indebtedness, general obligation bonds, notes and capital lease obligations as of July 31, 2009, are as follows:

Year Ending July 31,	Principal	Interest
2010	\$ 10,187,630	\$ 1,860,859
2011	2,543,160	1,286,465
2012	2,104,201	1,185,466
2013	2,015,000	1,090,392
2014	2,100,000	990,228
2015 - 2019	8,960,000	3,452,211
2020 - 2024	8,105,000	1,742,268
2025 - 2029	2,800,000	205,710
Total	\$ 38,814,991	\$ 11,813,599

Note 10. Pensions

Substantially all employees of the Hospital are members of the Parochial Employees' Retirement System of Louisiana (System), a cost sharing, multiple-employer public employee retirement system, controlled and administered by a separate board of trustees. The System provides retirement and disability benefits, annual costs of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. The Parochial Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial information and required supplementary information for the System. That report may be obtained by writing to Thomas B. Sims, CFA, Administrative Director, P.O. Box 14619, Baton Rouge, LA 70898-4619, or by calling 225-928-1361.

Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. All eligible employees are required by state statute to contribute 9.50% of their salaries to the System. In accordance with state statutes, the employer contributions are determined by actuarial valuation and are subject to change annually based on the results of the valuation for the prior fiscal year.

Retirement contributions totaled \$1,630,077 and \$1,598,718, for the years ended July 31, 2009 and 2008, respectively.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 11. Income Taxes

The Hospital is a governmental unit which has registered as a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

Note 12. Commitments

Capital Leases

The Hospital is the lessee of medical equipment under capital leases. The assets associated with these capital leases are recorded at the lower of the present value of the minimum lease payments or fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of assets under leases is included in depreciation expense for the years ended July 31, 2009 and 2008.

Operating Leases

The Hospital also leases, on a month-to-month basis, medical and office equipment under operating lease agreements. Lease expense totaled \$473,000 and \$418,742, for the years ended July 31, 2009 and 2008, respectively.

Purchase Agreements

The Hospital entered into a contract with Cardinal Health for the purchase radiopharmaceuticals. The term of the contract is one year, automatically renewing each year unless terminated in writing to Cardinal Health. The Hospital must purchase 90% of all radiopharmaceutical requirements required for actual use from Cardinal Health.

Employment Contracts

The Hospital has an employment contract with its CEO. The term of the contract extends through March 2011. The Hospital is contractually obligated to pay this contract at a rate of \$17,050 per month for months April 2008 through March 2011.

Management Contracts

The Hospital renewed the management contract with Efficient Management Company, Inc. with terms through February 2011, to manage the Hospital's psychiatric unit. The Hospital is contractually obligated to pay this company \$20,800 on a monthly basis, from February 2009 through September 2009 and \$16,500 from October 2009 through January 2011.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 12. Commitments (Continued)

Deferred Compensation Plan

The Hospital offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Hospital employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use.

It is the opinion of Hospital management that the Hospital has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Physician Guarantee Agreement

The Hospital entered into an agreement with a physician for establishing a private practice of medicine for the period of November 1, 2004 through October 31, 2006. During this period the physician was guaranteed income, as defined. To induce the physician to remain in St. Charles Parish after the Guarantee Period, as defined, the Hospital agreed to forgive certain obligations of the physician over a thirty-six month period. Throughout and after the Guarantee Period, the Physician agreed to execute one or more promissory notes evidencing all or a portion of the total assistance amount.

Subsequent to the balance sheet date the physician was found to be in default of the agreement. As such, the Hospital retains the right to terminate the agreement immediately. Upon termination, the sum representing the total assistance amount shall immediately become due and payable to the Hospital. A 1099 was issued by the Hospital to the physician for the total assistance amount. A receivable was recorded on the financial statements representing the total assistance to the physician. The Hospital is involved in various legal actions regarding this Agreement; therefore, an allowance was established for the full amount of the receivable. The ultimate resolution of this matter cannot be determined at this time.

During the year ended July 31, 2008, the Hospital entered into a separate Physician Recruitment Agreement whereby the Hospital guarantees that the net practice income of this physician will equal \$175,000 per year, or \$350,000 during the Guarantee period, as defined. At the end of the Third Agreement Year, the physician will repay, on demand, the total assistance together with 8% interest per annum; however, at the physician's request, a promissory note may be executed that would extend the repayment plan to 24 months. To induce the physician to remain in the area served by the Hospital, the Hospital has agreed to forgive and cancel, one thirty-sixth of the total assistance for each full calendar month that the physician remains in practice, after the Third Agreement Year, in his specialty in an office in St. Charles Parish.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 12. Commitments (Continued)

Luling Rehabilitation Cooperative Endeavor Agreement

In July 2008, The Hospital entered into a cooperative endeavor agreement with Luling Rehabilitation Hospital, Inc. (LR). The agreement states that the Hospital shall provide LR hospital, dietary and other services to the extent they are available. The charge for each service and schedule of payment is described in Exhibit "A" of the agreement.

LR entered into 5 year lease agreement with the Hospital commencing on August 1, 2008. LR is leasing 14,237 square feet of the Hospital building for the sum of \$209,426 per year, payable in equal monthly installments of \$17,452. The rent payable under the lease shall increase by 1.5% annually at the beginning of each lease year.

Note 13. Contingencies and Risk Management

The Hospital is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompass self-insurance of (1) Hospital professional liability and comprehensive general liability and (2) Statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss except as noted below.

The Hospital participates in the State of Louisiana patient compensation fund (the Fund). The Fund provides malpractice coverage to the Hospital for claims in excess of \$100,000 up to \$500,000. According to current state law, medical malpractice liability (exclusive of future medical care awards) is limited to \$500,000 per occurrence. The management of the Hospital has no reason to believe that the Hospital will be prevented from continuing its participation in the Fund.

Professional Liability

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 13. Contingencies and Risk Management (Continued)

Workmen's Compensation

The Hospital also participates in the Louisiana Hospital Association Self Insurance Workmen's Compensation Trust fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not practical to estimate the amount of additional assessments, if any, and the cost associated with any such assessments are treated as period expenses at the time they are assessed. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

Health Insurance

The Hospital has elected to self-insure employee and eligible dependent health claims. The self-insured claims are processed through a plan administrator. The Hospital's self insured plan has stop-loss insurance coverage for claims in excess of \$40,000 per individual per plan year and \$40,000 in the aggregate for claims in excess of the individual stop-loss. The Hospital has recorded a current liability for open claims and claims incurred but not reported.

The following is a summary of estimated claims liability for the year ended July 31, 2009:

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Balance at Fiscal Year End
\$ 106,472	\$ 1,551,102	\$ 1,572,836	\$ 84,738

The following is a summary of estimated claims liability for the year ended July 31, 2008:

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Balance at Fiscal Year End
\$ 79,304	\$ 1,982,896	\$ 1,955,728	\$ 106,472

ST. CHARLES PARISH HOSPITAL SERVICES DISTRICT
For the Years Ended July 31, 2009 and 2008

Notes to Financial Statements

Note 13. Contingencies and Risk Management (Continued)

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments; compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

Note 14. Capitalized Interest

For the year ended July 31, 2008, the Hospital incurred \$1,675,393 of interest cost; of that amount, \$165,333 has been capitalized, net of interest income of \$74,163. There was no interest capitalized for the year ended July 31, 2009.

Note 15. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 25, 2010, and determined that the following event occurred that required disclosure.

The Hospital adopted a resolution in November of 2009, issuing \$6,000,000 General Obligation Bonds, Series 2009. These bonds were issued for the purpose of capital improvements to the Hospital.

No subsequent events occurring after the date above have been evaluated for inclusion in these financial statements.



Independent Auditor's Report on Supplementary Information

To the Board of Commissioners
St. Charles Parish Hospital Service District
Luling, Louisiana

Our audit was made for the purpose of forming an opinion on the basic financial statements for the year ended July 31, 2009, taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the year ended July 31, 2009, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A Professional Accounting Corporation

January 25, 2010

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Board of Commissioners and Compensation
For the Year Ended July 31, 2009

	Number of Meetings Attended	Total Per Diem Paid
Kathleen Landry	10	\$ 600
Thomas D. Lorio	9	520
John Landry	12	700
Betty Portera	9	520
Barbara Smith	11	640
		<u>\$ 2,980</u>

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness

	Rate	Interest Payment Date	Interest Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
Certificate of Indebtedness, Series 2004B	4.75%	9/1/2009	10,688			\$ 1,320,000	\$ 1,320,000	\$ 870,000	\$ 450,000
		3/1/2010	10,688	3/1/2010	220,000				
		9/1/2010	5,463						
		3/1/2011	5,463	3/1/2011	230,000				
Certificate of Indebtedness, Series 2009A	5.50%	3/1/2010	180,000	2/15/2010	2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000
Certificate of Indebtedness, Series 2008B	4.50%	3/1/2010	300,000	3/1/2010	5,850,000	\$ 6,000,000	\$ 5,850,000	\$ -	\$ 5,850,000

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		
					Authorized	Issued	Retired
3.00% to 4.50%	9/1/2009				\$ 2,745,000	\$ 2,745,000	\$ 415,000
	3/1/2010	49,514	3/1/2010	220,000			
	9/1/2010	49,514					
	3/1/2011	45,554	3/1/2011	225,000			
	9/1/2011	45,554					
	3/1/2012	41,335	3/1/2012	235,000			
	9/1/2012	41,335					
	3/1/2013	36,635	3/1/2013	245,000			
	9/1/2013	36,635					
	3/1/2014	31,613	3/1/2014	255,000			
	9/1/2014	31,613					
	3/1/2015	25,875	3/1/2015	270,000			
	9/1/2015	25,875					
	3/1/2016	19,800	3/1/2016	280,000			
	9/1/2016	19,800					
	3/1/2017	13,500	3/1/2017	295,000			
	9/1/2017	13,500					
	3/1/2018	6,863	3/1/2018	305,000			
	9/1/2018	6,863					
					\$ 2,745,000	\$ 2,745,000	\$ 415,000
							\$ 2,330,000

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

General Obligation Bonds, Series 2003B	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		
						Authorized	Issued	Outstanding
	4.150% to 6.00%					<u>\$ 810,000</u>	<u>\$ 810,000</u>	<u>\$ 695,000</u>
		9/1/2009	20,183					
		3/1/2010	20,183	3/1/2010	60,000			
		9/1/2010	18,683					
		3/1/2011	18,683	3/1/2011	65,000			
		9/1/2011	16,960					
		3/1/2012	16,960	3/1/2012	70,000			
		9/1/2012	15,000					
		3/1/2013	15,000	3/1/2013	70,000			
		9/1/2013	12,900					
		3/1/2014	12,900	3/1/2014	75,000			
		9/1/2014	10,650					
		3/1/2015	10,650	3/1/2015	80,000			
		9/1/2015	8,250					
		3/1/2016	8,250	3/1/2016	85,000			
		9/1/2016	5,700					
		3/1/2017	5,700	3/1/2017	90,000			
		9/1/2017	3,000					
		3/1/2018	3,000	3/1/2018	100,000			

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		
					Authorized	Issued	Retired Outstanding
3.40% to 5.0%					<u>\$ 5,300,000</u>	<u>\$ 5,300,000</u>	<u>\$ 1,100,000</u> <u>\$ 4,200,000</u>
	9/1/2009						
	3/1/2010	87,778	3/1/2010	200,000			
	9/1/2010	87,778					
	3/1/2011	83,528	3/1/2011	225,000			
	9/1/2011	83,528					
	3/1/2012	79,703	3/1/2012	225,000			
	9/1/2012	79,703					
	3/1/2013	75,541	3/1/2013	225,000			
	9/1/2013	75,541					
	3/1/2014	71,181	3/1/2014	225,000			
	9/1/2014	71,181					
	3/1/2015	66,906	3/1/2015	250,000			
	9/1/2015	66,906					
	3/1/2016	62,156	3/1/2016	250,000			
	9/1/2016	62,156					
	3/1/2017	57,156	3/1/2017	250,000			
	9/1/2017	57,156					
	3/1/2018	52,156	3/1/2018	250,000			
	9/1/2018	52,156					
	3/1/2019	47,000	3/1/2019	275,000			
	9/1/2019	47,000					
	3/1/2020	41,156	3/1/2020	275,000			
	9/1/2020	41,156					
	3/1/2021	35,175	3/1/2021	300,000			
	9/1/2021	35,175					

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		
					Authorized	Issued	Outstanding
4.0% to 6.5%	9/1/2021	28,500					
	3/1/2022	28,500	3/1/2022	300,000			
	9/1/2022	21,750					
	3/1/2023	21,750	3/1/2023	400,000			
	9/1/2023	12,650					
	3/1/2024	12,650	3/1/2024	550,000			
					<u>\$ 7,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ 5,775,000</u>
	9/1/2009	130,806					
	3/1/2010	130,806	3/1/2010	235,000			
	9/1/2010	124,343					
	3/1/2011	124,343	3/1/2011	250,000			
	9/1/2011	117,624					
	3/1/2012	117,624	3/1/2012	265,000			
	9/1/2012	110,688					
	3/1/2013	110,688	3/1/2013	275,000			
	9/1/2013	103,793					
	3/1/2014	103,793	3/1/2014	290,000			
	9/1/2014	97,268					
	3/1/2015	97,268	3/1/2015	310,000			
	9/1/2015	90,681					
	3/1/2016	90,681	3/1/2016	325,000			
	9/1/2016	84,181					
	3/1/2017	84,181	3/1/2017	340,000			
	9/1/2017	77,211					
	3/1/2018	77,211	3/1/2018	355,000			

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		
					Authorized	Issued	Retired Outstanding
	9/1/2018	69,889					
	3/1/2019	69,889	3/1/2019	380,000			
	9/1/2019	61,909					
	3/1/2020	61,909	3/1/2020	400,000			
	9/1/2020	53,309					
	3/1/2021	53,309	3/1/2021	420,000			
	9/1/2021	44,069					
	3/1/2022	44,069	3/1/2022	445,000			
	9/1/2022	34,168					
	3/1/2023	34,168	3/1/2023	470,000			
	9/1/2023	23,475					
	3/1/2024	23,475	3/1/2024	495,000			
	9/1/2024	12,090					
	3/1/2025	12,090	3/1/2025	520,000			
					<u>\$ 5,700,000</u>	<u>\$ 5,700,000</u>	<u>\$ 1,155,000 4,545,000</u>
General Obligation Bonds, Series 2006	4.125% to 6.75%						
	9/1/2009	106,743					
	3/1/2010	106,743	3/1/2010	165,000			
	9/1/2010	101,381					
	3/1/2011	101,381	3/1/2011	175,000			
	9/1/2011	96,131					
	3/1/2012	96,131	3/1/2012	185,000			

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		
					Authorized	Issued	Outstanding
	9/1/2012	90,766					
	3/1/2013	90,766	3/1/2013	195,000			
	9/1/2013	85,403					
	3/1/2014	85,403	3/1/2014	205,000			
	9/1/2014	80,278					
	3/1/2015	80,278	3/1/2015	220,000			
	9/1/2015	75,328					
	3/1/2016	75,328	3/1/2016	230,000			
	9/1/2016	70,153					
	3/1/2017	70,153	3/1/2017	245,000			
	9/1/2017	65,100					
	3/1/2018	65,100	3/1/2018	260,000			
	9/1/2018	59,640					
	3/1/2019	59,640	3/1/2019	270,000			
	9/1/2019	53,835					
	3/1/2020	53,835	3/1/2020	290,000			
	9/1/2020	47,600					
	3/1/2021	47,600	3/1/2021	305,000			
	9/1/2021	40,890					
	3/1/2022	40,890	3/1/2022	320,000			
	9/1/2022	33,690					
	3/1/2023	33,690	3/1/2023	340,000			
	9/1/2023	26,040					
	3/1/2024	26,040	3/1/2024	360,000			
	9/1/2024	17,940					
	3/1/2025	17,940	3/1/2025	380,000			
	9/1/2025	9,200					
	3/1/2026	9,200	3/1/2026	400,000			

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2007	4.00% to 6.50%					\$ 5,500,000	\$ 5,500,000	\$ 15,000	\$ 5,485,000
		9/1/2009	121,793						
		3/1/2010	121,793	3/1/2010	25,000				
		9/1/2010	120,980						
		3/1/2011	120,980	3/1/2011	50,000				
		9/1/2011	119,355						
		3/1/2012	119,355	3/1/2012	75,000				
		9/1/2012	116,918						
		3/1/2013	116,918	3/1/2013	100,000				
		9/1/2013	113,668						
		3/1/2014	113,668	3/1/2014	100,000				
		9/1/2014	110,418						
		3/1/2015	110,418	3/1/2015	100,000				
		9/1/2015	107,168						
		3/1/2016	107,168	3/1/2016	250,000				
		9/1/2016	99,043						
		3/1/2017	99,043	3/1/2017	275,000				
		9/1/2017	93,543						
		3/1/2018	93,543	3/1/2018	275,000				
		9/1/2018	88,043						
		3/1/2019	88,043	3/1/2019	300,000				
		9/1/2019	82,043						
		3/1/2020	82,043	3/1/2020	435,000				
		9/1/2020	73,125						
		3/1/2021	73,125	3/1/2021	500,000				
		9/1/2021	62,875						
		3/1/2022	62,875	3/1/2022	500,000				
		9/1/2022	52,625						
		3/1/2023	52,625	3/1/2023	500,000				
		9/1/2023	42,250						
		3/1/2024	42,250	3/1/2024	500,000				
		9/1/2024	31,750						
		3/1/2025	31,750	3/1/2025	500,000				
		9/1/2025	21,250						
		3/1/2026	21,250	3/1/2026	500,000				
		9/1/2026	10,625						
		3/1/2027	10,625	3/1/2027	500,000				
General Obligation Bonds, Series 2009	5.875% to 7.00%					\$ 55,000	\$ 55,000	\$ -	\$ 55,000
		3/1/2010	3,850	3/1/2010	30,000				
		3/1/2011	1,750	3/1/2011	25,000				

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		
						Authorized	Issued	Retired
Limited Tax Bonds, Series 2008	4.979%					\$ 5,000,000	\$ 5,000,000	\$ -
		9/1/2009	118,750					
		3/1/2010	118,750	3/1/2010	570,000			
		9/1/2010	105,213					
		3/1/2011	105,213	3/1/2011	650,000			
		9/1/2011	89,775					
		3/1/2012	89,775	3/1/2012	685,000			
		9/1/2012	73,506					
		3/1/2013	73,506	3/1/2013	720,000			
		9/1/2013	56,406					
		3/1/2014	56,406	3/1/2014	755,000			
		9/1/2014	38,475					
		3/1/2015	38,475	3/1/2015	790,000			
		9/1/2015	19,713					
		3/1/2016	19,713	3/1/2016	830,000			
						<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>	<u>\$ -</u>
Limited Tax Bonds, Series 2008A	6.500%							
		9/1/2009	42,250					
		3/1/2010	42,250	3/1/2010	155,000			
		9/1/2010	37,213					
		3/1/2011	37,213	3/1/2011	165,000			
		9/1/2011	31,850					
		3/1/2012	31,850	3/1/2012	175,000			
		9/1/2012	26,163					
		3/1/2013	26,163	3/1/2013	185,000			
		9/1/2013	20,150					
		3/1/2014	20,150	3/1/2014	195,000			
		9/1/2014	13,813					
		3/1/2015	13,813	3/1/2015	205,000			
		9/1/2015	7,150					
		3/1/2016	7,150	3/1/2016	220,000			
						<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>	<u>\$ -</u>
								<u>\$ 1,300,000</u>
Total Interest						Total Principal		
						\$ 37,685,000		
Due Within One Year						Due Within One Year		
Long-Term						Long-Term		
						\$ 9,730,000		
Total						Total		
						\$ 27,955,000		
						\$ 37,685,000		



**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Commissioners
St. Charles Parish Hospital Service District
Luling, Louisiana

We have audited the financial statements of St. Charles Parish Hospital Service District (the Hospital), as of and for the year ended July 31, 2009 and 2008, and have issued our report thereon dated January 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of deficiencies, that adversely affects the Hospital's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Hospital's financial statements that is more than inconsequential, will not be prevented or detected by the Hospital's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. (2009-01, 2009-02, 2009-03)

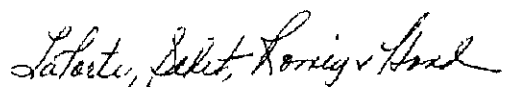
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Hospital's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that one of the significant deficiencies above is a material weakness. (2009-01)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Commissioners, Management of St. Charles Parish Hospital, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.



A Professional Accounting Corporation

January 25, 2010

A. FINDINGS FINANCIAL STATEMENT AUDIT – 2009 FISCAL YEAR END

09-01 Review the Allowance for Contractual Adjustments and Doubtful Accounts

Observation: The reserves for patients receivables are being analyzed monthly. However, management does not record an adjustment to agree to the amounts supported by the analysis.

Recommendations: We recommend that management of the Hospital continue to prepare a monthly analysis of contractual adjustments and uncollectible accounts. Management should adjust the allowance for contractual adjustments and doubtful accounts based on an internally developed methodology which considers the Hospital's expected reimbursement from patient receivables. Expected reimbursement can be derived from historical collection data and third party payor contracts.

Management Response and Corrective Action: Management will analyze monthly contractual adjustments and uncollectible accounts. Adjustments will be calculated based on expected reimbursements and most current payor rates.

2009-02 Patient Receivable and Credit Balances

Observation: Our audit process has revealed there has been a notable increase in the number and amount of credit balances on patient accounts.

The increase appears to be attributable to situations where payments are made by both a primary and secondary payor, with multiple contractual adjustments posted as a result.

Recommendation: We recommend that Management consider enhancing its current process for analyzing changes in credit balances. Specific identification of the cause(s) should be pursued and corrected so as to minimize any financial or compliance risks that may be associated with the cause(s).

Management Response and Corrective Action: Management will monitor credit balances and transfer these amounts to be refunded on a timelier basis.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Findings and Responses
For the Year Ended July 31, 2009

2009-03 In-Kind Contribution

Observation: During our review of the property accounts, we noted assets were not recorded at cost. Through further investigation it was determined that the Hospital paid 25% of the asset's purchase price and received an in-kind contribution from the Parish for the balance.

Recommendation: In order to define this area better and establish consistency, we suggest that the Hospital formalize a written policy for recognizing in-kind contributions of goods and services. The policy should specify a minimum dollar amount to be recorded and the method used to determine the fair market value of donated services or assets. The policy will be most beneficial in that it will allow for easier and more consistent accounting treatment for contributed goods or services.

Management Response and Corrective Action: The in-kind contribution was the result of the Hospital participating in a grant to St. Charles Parish. The related assets were hurricane screens for the Hospital. The Hospital paid 25% of the total costs of the screens, with the balance contributed through a grant via the Parish. Any future grants/donations will be recognized as an in-kind contribution of the goods or services.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Summary Schedule of Prior Audit Findings and Responses
For the Year Ended July 31, 2009

B. FINDINGS FINANCIAL STATEMENT AUDIT – 2008 FISCAL YEAR END

08-01

Condition: During the year ended July 31, 2008, the auditor proposed journal entries to fairly state the financial statements of the Hospital, in all material respects.

Cause: The Hospital experienced turnover within its finance department during the year ended July 31, 2008. The finance department is adjusting to this reduced manpower and has not balanced its responsibilities.

Effect: The inability to prepare financial statements that are fairly stated in all material respects in accordance with accounting principles generally accepted in the United States could result in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected through the Hospitals' internal control.

Recommendations: We recommend that management of the Hospital consider training for its accounting personnel, evaluating the adequacy of its resources, and timely completion of certain reconciliations on a rotating basis.

Management's Corrective Action: Management appreciates the importance that the financial statements contribute to internal control. Management has agreed to provide training to its accounting department team members, with specific attention being given to those areas that are new to the Hospital and require additional instruction.

Status: Resolved